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Canada - U.S. free trade:  
The road to implementation





## CANADA - U.S. FREE TRADE: THE ROAD TO IMPLEMENTATION

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## CANADA - U.S. FREE TRADE: THE ROAD TO IMPLEMENTATION

### ISSUE DEFINITION

On 2 January 1988, Prime Minister Mulroney and President Reagan signed the Canada-U.S. Free Trade Agreement which will eliminate virtually all tariffs on trade between the two countries within 10 years. While the government had announced its intention to pursue a free trade agreement with the United States just two years before it achieved this goal, the idea is by no means new for Canada. In fact, free trade even predates Confederation and has been called the "issue that won't die." Since the Reciprocity Treaty between 1854 and 1866, a failed attempt to re-establish reciprocity in 1874 and the Canadian elections of 1878, 1891 and 1911, all of which turned on the issue, free trade has been a strong and recurrent theme in Canadian politics.

Before examining the issue of Canada-U.S. free trade and the implementation of the Agreement, it is important to understand the meaning of the term "free trade agreement." Such an agreement involves the elimination of tariff and non-tariff barriers to trade between signatory countries, with each maintaining its respective tariff schedules with non-member nations. A stronger form of economic integration would be a "customs union," which would involve not only dropping trade barriers between member nations but also the application of identical tariffs against outside countries. Still further economic integration would be achieved by allowing free movement of goods, services, labour and capital within the trading bloc. This is known as a "common market," the most prominent example of which is the European Economic Community (EEC). A final stage of integration would be "economic union," where national, social, taxation and fiscal policies would be unified and administered by a supranational



institution. The Canada-U.S. Free Trade Agreement, then, represents the loosest form of economic integration, primarily involving only the removal of mutual trade barriers.

## BACKGROUND AND ANALYSIS

### A. Canada-U.S. Trade Patterns

Canada and the United States enjoy the largest flow of trade between two nations anywhere in the world. In 1992, Canadians shipped \$118.4 billion of merchandise exports to the United States and received \$96.4 billion in such U.S. imports in return. About 77% of Canadian merchandise exports went to the United States in 1992, while 65% of total merchandise imports originated in that country. During the past 10 years, the proportion of goods exports destined for the United States averaged about three-quarters, while the share of total goods imports originating in the United States averaged over two-thirds.

Canada is the largest single foreign market for U.S. goods, accounting for about 20.2% of total American exports in 1992. In 1992 Canada was responsible for 18.5% of total U.S. imports, surpassing Japan, which was responsible for 18.1% of U.S. imports.

The most significant Canadian merchandise exports to the United States include: passenger automobiles and chassis; natural gas; newsprint and other paper; motor vehicle parts, except engines; trucks, truck tractors and chassis; crude petroleum; petrochemicals and hydrocarbon products; pulp; softwood lumber; and precious metals. The leading U.S. merchandise exports to Canada are: motor vehicle parts; passenger automobiles and chassis; computers; motor vehicle engines; trucks, truck tractors and chassis; and aircraft.

### B. Issues in the Canada-U.S. Free Trade Agreement

The extremely active debate over the Canada-U.S. Free Trade Agreement covered a broad spectrum of issues, such as the size of the economic benefits likely to accrue from the Agreement and whether large-scale water exports were covered by it.\* Pervading most areas

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\* For a more complete discussion of some of the important issues, see: Library of Parliament, BP-182, "Canada-U.S. Free Trade Agreement: Major Issues."

of debate was general concern over the possible infringement of Canadian sovereignty. Critics feared that sections of the FTA, particularly those dealing with culture, energy, investment, and financial services, might involve a substantial loss of Canadian control that would not be balanced by the potential gains. They were also apprehensive that future discussions related to permissible government subsidies and acceptable technical standards might lead to further erosion of Canadian sovereignty.

Supporters of the Agreement pointed out that any international agreement inhibits a country's freedom of action to some extent. They believed that the concessions made in the FTA were relatively modest compared with the expected gains that would flow to Canada from free trade. Clearly, there is considerable room for disagreement over the issue of sovereignty when informed Canadians disagree on the value of the concessions made and the extent of the benefits to come. As implementation of the Agreement unfolds, this issue should come into sharper focus.

### C. The Road to Implementation

#### 1. Accelerated Tariff Reductions

At the second meeting of the Canada-U.S. Trade Commission on 30 November 1989, it was announced that the two countries had reached agreement on the reduction of tariffs on more than 400 items in each country's tariff schedule. The tariff reductions affected close to \$3.0 billion in each country's exports to the other. Most of the tariffs were eliminated upon implementation of the agreement on 1 April 1990. Tariff reductions on other items have been accelerated from a 10-year phase-out period to a five-year schedule.

Officials in Canada and the U.S. reviewed requests by industry for a second round of accelerated tariff cuts covering about 1,000 tariff items in each country's list.

After consulting with domestic industries affected, in March 1990 it was announced that the Canada-U.S. Trade Commission had agreed to eliminate tariffs ahead of schedule on over 250 items as well as on more than 400 specific products involving approximately \$2 billion worth of trade. The sectors affected by the tariff cuts, which went into effect 1 July 1991, include: agriculture, chemicals, machinery and transportation equipment.



A third round of accelerated tariff reductions has been announced. The deadline for industry petitions was 17 January 1992. A list of proposed tariff cuts was published in Part I of the *Canada Gazette* on 5 September 1992. Views of interested parties were to be received by 2 November 1992. The tariff reductions are likely to be implemented by spring 1993.

## 2. Textiles

On 22 March 1988, the Canadian federal government announced a duty remission program for imported textiles, in order to provide tariff relief for apparel makers. The plan, worth a total of about \$64 million, called for an extension of some earlier duty remissions on certain imported fabrics as well as new remission schemes for various other fabrics. Although the scheme was a much scaled-down version of an earlier plan, there was an outcry from U.S. and Canadian textile interests while Canadian apparel makers were disappointed that the remissions were not more substantial.

## 3. Admissibility of the FTA under GATT

In April 1988, the GATT secretary-general stated that the proposed Canada-U.S. Free Trade Agreement generally conforms with the section of the GATT charter banning discriminatory trade practices. The secretary-general said that the FTA "will in no way hinder" either country's trading obligations with the rest of the world. He further declared that entering into FTAs or customs unions generally makes countries better, stronger and more active supporters of the broader, multilateral system. The GATT decided in February 1989 to set up a working party to determine whether the FTA complies with Article XXIV of GATT, which permits the establishment of customs unions and free trade areas.

The GATT working party reported that it was unable to come to a conclusion on whether the FTA is consistent with the GATT. The fact that some parties expressed reservations about certain aspects of the FTA does not indicate that Agreement violates the GATT. Working parties have been unable to reach unanimous conclusions on the consistency of FTAs and customs unions in over 50 other cases. In this case, reservations were expressed about the precedence of FTA rules over GATT rules and the implications of the FTA's dispute settlement mechanism for outside parties. There was also some question about whether the FTA satisfied



the GATT requirement that an Agreement cover "substantially all" trade between two parties. In this regard, the seasonal "snapback" provision affecting fruits and vegetables and the U.S. "Jones Act" prohibiting shipping by foreign vessels between U.S. ports, were among the exceptions noted in the GATT report.

#### 4. Automobiles

Although auto parts manufacturers on both sides of the border called for an increase from 50% to 60% in the FTA's required North American automotive content level, Canada turned down a request by the U.S. to reopen the Agreement for this purpose.

Pursuant to Article 1004 of the FTA, on 6 April 1989 the Canadian government announced the establishment of a private sector panel of informed persons to advise the Canadian and U.S. governments on automotive issues. Representatives of the major auto and parts makers, the autoworkers, and auto dealers and importers were on the panel. The U.S. request for an increase in the North American content level is one key issue that must be addressed by the panel. The U.S. Administration is required by the Statement of Administrative Action accompanying the U.S. free trade implementing legislation "to seek to ensure" that the panel formulates its proposals regarding an increase to 60% in the North American content of automotive goods, and reports on trade-distorting policies and practices affecting trade in automotive goods.

On 3 August 1990 the auto panel recommended that the North American content level under the FTA be increased from 50% to 60%. It is believed that such an increase would disadvantage Asian car-makers in Canada as well as the General Motors-Suzuki joint venture CAMI plant at Ingersoll, Ontario. International Trade Minister Crosbie indicated that Canada rejected the panel recommendation.

The North American Free Trade Agreement reached in August 1992 would raise the North American content level to 62.5% for passenger cars and light trucks, as well as for engines and transmissions for such vehicles, and to 60% for other vehicles and automotive parts.

## 5. Subsidies

As provided under Article 1907 of the FTA, a Canadian-American working group was formed in May 1989 to discuss the thorny issue of subsidies, which was not resolved during the FTA negotiations. Initially, the working group will probably examine government subsidy practices in both countries, and negotiations on subsidies should follow. Article 1906 of the FTA permits up to seven years for the two countries to decide on a substitute system of rules for anti-dumping and countervailing duties applied to bilateral trade.

The NAFTA sections revising the FTA dispute settlement mechanism make no provision for agreement on a common subsidy code.

## 6. Grain Subsidies

In November 1989, the legal adviser for U.S. Trade Representative Carla Hills told American grain growers that Canadian rail subsidies for western grain transported to Thunder Bay do not violate the FTA and are not covered under the GATT. U.S. wheat growers are concerned about the encroachment into their market of Canadian durum wheat, which is used primarily to make pasta. American grain growers awaited the results of a study from the U.S. International Trade Commission (ITC) before deciding whether to file a countervailing duty case against Canadian wheat exports. The ITC findings released 21 June 1990 indicated that Canadian durum wheat prices were competitive with U.S. prices and that there was no evidence to suggest that Canadian durum wheat imports were causing injury to U.S. growers.

On 3 May 1991, the Canadian government announced that barriers against the import of U.S. wheat would be dropped since subsidies now account for only 26.8% of the price of U.S. wheat and 31.1% of the price of Canadian wheat. Article 705 of the FTA requires Canada to eliminate import restrictions against any of the U.S. grains once U.S. government support levels have become equal to, or less than, the level of support for that grain in Canada. Restrictions on barley trade will not be affected since U.S. support levels on this grain exceed those in Canada.

Canadian farmers oppose the removal of import restrictions because of the U.S. Export Enhancement Plan (EEP), which has been used to subsidize U.S. wheat exports to third countries and out-compete Canadian wheat exports. They point out that Article 701 of the FTA



requires both countries to take into account the export interests of the other country in the use of export subsidies on agricultural goods exported to third countries.

On 15 May 1992, Canada and the U.S. reached agreement on government support levels for barley. It was calculated that Canadian support to barley farmers amounted to 25.01% of the price while U.S. support was 29.13%. Since U.S. support is still higher, Canada will continue to require import licences for barley entering this country.

#### 7. "Snapback" of Tariffs on Fresh Fruit and Vegetables

The so-called "snapback" provision under Article 701 of the FTA permits either country to apply a temporary duty on fresh fruits and vegetables. In May 1990 Canada invoked this provision to return duties on U.S. asparagus to their pre-FTA levels. At the end of July 1991, a 12-week snap-back of duties on U.S. peaches was announced. This was followed in August by increased duties on tomatoes for a period of 14 weeks.

During the summer of 1992, the snapback provisions were applied to imports from the U.S. of head lettuce, fresh cabbage and fresh peaches.

#### 8. Retransmission of Cable Signals

Article 2006 of the FTA requires compensation to be paid for the retransmission of cable signals originating in the other country. In the past, Canadian cable companies have not paid U.S. broadcasters for the right to retransmit their signals. After holding hearings to determine the appropriate royalties, the Copyright Board decided that Canadian cable companies are liable for charges of about \$51 million per year in copyright fees for retransmission of television signals and an additional \$300,000 for radio signals in 1990 and 1991. The Canadian Cable Television Association has appealed the Copyright Board's decision to the federal Cabinet.

After the Cabinet failed to overturn the Copyright Board's decision, the Canadian Cable Television Association took its case to the Federal Court of Appeal. The Federal Court of Appeal dismissed the application seeking to set aside or vary the Copyright Board's decision setting retransmission royalties.

A second round of retransmission royalty proceedings before the Copyright Board began in 1991. Nine collectives (agencies responsible for collecting copyright fees) were

seeking payments that would provide an estimated \$65-\$70 million per year royalty pool from cable companies for rebroadcast rights of "distant" television and radio signals during the 1992 and 1993 calendar years, and possibly 1994 also. Canadian cable television organizations vigorously opposed the collectives' proposals. Hearings were completed in July 1992.

The Copyright Board's report was released on 14 January 1993. It established royalty payments from Canadian cable companies projected to total \$42 million per year between 1992-1994 for rebroadcast of television signals and \$300,000 per year for radio signals. The largest share of royalties will go to the U.S. television and motion picture industries.

## 9. Status of Free Trade

In January 1990, International Trade Minister John Crosbie outlined the government's view on the first year of the FTA, declaring that "the FTA is a cornerstone in the federal government's strategy to improve Canadian competitiveness." He also released two reports. In the first report, a detailed paper on the FTA implementation process, the Minister characterized this process as "proceeding in an orderly fashion." The second report, prepared by the consulting and forecasting firm, Informetrica Limited, concluded that it is too early to make an assessment of the economic impact of the FTA.

The U.S. President's second report to Congress on the FTA stated that implementation was proceeding smoothly but raised several areas of disagreement. The report complained about: continued provincial discrimination against U.S.-made wine; refusal by the Canadian Wheat Board to disclose details of export sales, thus preventing U.S. verification of fair trading by the Board; failure to agree to new building standards that would permit use in Canada of U.S.-made plywood; infringement of U.S. drug patents; Canada's refusal to raise the required North American content level in automobiles to 60% from the existing 50%; Canada's refusal to provide copies of the agreements made with Asian automakers; the length of time required for U.S. companies to receive approval to set up banks in Canada; the exemption from U.S. ownership of Canadian cultural industries, such as broadcasting and publishing.

On 18 August 1991, the Canada-U.S. Trade Commission, comprising International Trade Minister Michael Wilson and U.S. Trade Representative Carla Hills, met in Seattle, Washington, to review the progress and overall management of the FTA.



The Commission agreed to amend Chapter 19 dispute settlement rules by a process that will be submitted to it by a Binational Legal Working Group; to await the outcome of GATT negotiations before deciding on further work defining subsidies under the FTA; to an amendment to the rules of origin on oilseed products and other items.

On 1 May 1992, International Trade Canada released the "Register of United States Barriers to Trade." Among the barriers cited to the free flow of goods, services and capital into the U.S. were: subsidies, such as the U.S. export enhancement program for grain; domestic preference laws, such as the "*Buy American Act*"; customs and administrative procedures, origin markings; technical and regulatory barriers; quantitative restrictions; foreign investment restrictions in some U.S. industries; restrictions in the financial sector; discriminatory elements of U.S. intellectual property laws; and discriminatory tax measures.

#### 10. North American Free Trade Agreement (NAFTA)

On 5 February 1991, Canada, the United States and Mexico announced that the three countries would begin trilateral negotiations in the spring of 1991. The three-way free trade deal would create a trading bloc of about 360 million people with a combined GDP of C\$7,500 billion. Labour and environmental groups in Canada and the U.S. have denounced the plan to join in free trade talks with Mexico while business leaders tend to support the idea. **In 1992, Canada exported \$770.6 million in merchandise to Mexico and imported \$2.8 billion in goods from Mexico. More than 70% of imports from Mexico enter Canada duty-free and some of the remainder are subject to the General Preferential Tariff, which is at least as low and often lower than the Most-Favoured-Nation Tariff extended to Canada's major trading partners.**

NAFTA negotiations, which began in Toronto on 12 June 1991, continued in the spring and summer of 1992. On 12 August 1992 international trade ministers from Canada, the United States and Mexico arrived at a 52-page description of the proposed free trade agreement to be entered into by the three countries. The agreement proposes an increase in the North American content level from 50% (under the FTA) to 62.5% for passenger cars and light trucks. Textiles and apparel must be woven from yarn made in a NAFTA country, except in the case of fabrics that members agree to be in short supply. Tariffs will be eliminated immediately or

phased out in five, ten, or fifteen years but Canada will be entitled to maintain import restrictions in the supply-managed sectors of dairy, egg and poultry. The dispute settlement process will be similar to that of the FTA, and will be applied to trade disputes concerning environmental standards. Federal government department and agency procurement contracts of over US\$50,000 on goods and services will be opened up to three-country competition, and there will be national treatment of investors from other NAFTA countries; national treatment and most-favoured-nation treatment will apply to service providers from other countries. Mexico will maintain state ownership of the oil, gas, refining, basic petro-chemicals, nuclear and electric sectors, but will allow access to its market by financial institutions after a transition period ending by the year 2000. Intellectual property will be protected and there will be trade in telecommunications equipment and enhanced telecom services; the FTA exemption for cultural industries will remain intact and health and social services will also be exempt. Restrictions on cross-border land transportation will be phased out, and temporary entry will be provided for business persons.

The legal text of the Agreement was signed by each country's leader on 17 December 1992.

**Negotiations were undertaken in March 1993 on side agreements to the NAFTA to address labour and environmental issues. The Clinton Administration in the U.S. has promised that additional measures will be introduced to protect U.S. labour from import surges and to enforce labour and environmental standards.**

**In Canada, the Minister of International Trade introduced Bill C-115, the North American Free Trade Agreement Implementation Act, in the House of Commons on 25 February 1993. The bill received second reading on 31 March 1993 and was referred to a legislative committee.**

#### 11. Open Skies Negotiations

Representatives from Canada and the U.S. announced on 3 October 1990 that the two countries intended to negotiate a bilateral airline agreement that would remove restrictions on flights served by the other country's carriers.



When negotiations opened in April 1991, the chief U.S. negotiator made it clear that the U.S. would not be seeking access for its airlines to domestic Canadian routes. However, the U.S. does wish to deregulate cross-border air traffic, including removal of restrictions on cross-border cargo services and regional passenger services.

A federal task force report released at the end of January 1992 recommended against opening up cross-border air travel to competition, arguing that it would lead to the domination of transborder services by U.S. carriers.

Negotiations in March and June 1992 centred on the length of the phase-in period before U.S. airlines are given complete access to Canadian airports, especially the three busiest, Toronto, Montreal (Dorval) and Vancouver.

Negotiations were called off temporarily in December 1992 with the two sides still disagreeing on a number of points, including: the length of the phase-in period before U.S. air carriers are allowed unrestricted access to Canada's three largest airports; the use-it-or-lose-it clause requiring Canadian carriers to launch new services within a specific time after being given access to U.S. airports; access by Canadian carriers to take-off and landing slots at New York's LaGuardia and Washington National airports; and provision of pre-clearance U.S. custom and immigration services at Canadian airports.

## 12. Cross-Border Registration of Architects

Agreement has been reached between Canadian and U.S. organizations responsible for co-ordinating architectural regulation in the two countries. The Committee of Canadian Architectural Councils (CCAC) and the National Council of Architectural Registration Boards (NCARB) have agreed to accept as equivalent each other's education, training and examination standards. This is expected to lead to cross-border provision of architectural services once the process for certification of qualified architects is established.

## 13. U.S. Implementation of the FTA

On 9 February 1988, the House of Representatives Ways and Means Trade Subcommittee began hearings on the Canada-U.S. Free Trade Agreement. Complaints were heard about the Agreement's effect on the U.S. steel, automobile, textile, uranium and film

industries and there were also criticisms from egg, dairy and wheat producers. Nevertheless, on 17 May 1988 the committee approved implementing legislation for the FTA.

The Senate Finance Committee, chaired by Senator Lloyd Bentsen, began hearings on the issue on 17 March. U.S. producers of textiles, clothing, zinc alloys, and others voiced their opposition to the Pact. Some Senators, such as Max Baucus from Montana, complained strongly about Canadian subsidies to industry. Other concerns were heard on: the exclusion of cultural industries from the agreement; Canadian plans to provide its apparel industry with duty remission on imported textiles; exclusion of certain U.S. grades of plywood from use in Canada, and proposed restrictions on foreign film distribution in Canada.

On 18 May 1988, the Senate Finance Committee unanimously approved legislation to implement the FTA. As expected, the legislation contained recommendations addressing the Senators' concerns about the Agreement. However, some of the recommendations went beyond the provisions of the FTA, forcing the Canadian government to file two official protests. The first diplomatic note expressed concern about the Senate's apparent unwillingness to proceed with plywood tariff reductions as stipulated under the terms of the FTA. The second protest concerned a proposal that would impose a minimum size on lobsters imported from Canada. (The U.S. implementing legislation did delay the plywood tariff reductions but did not include the proposal on lobsters.)

On 14 July 1988, Congressional trade committees provided final approval to the draft bill. The bill included a provision known as the Baucus-Danforth amendment which would permit U.S. industries to petition the U.S. Trade Representative to monitor Canadian subsidies to industry. In order to appease Canadian objections, the final form of this provision was broadened to apply to all countries which complete free trade agreements with the U.S. and not just to Canada.

The implementing legislation was formally submitted to the Congress by the President on 2 July 1988, and passed the House of Representatives by a 366-40 vote on 9 August. The U.S. Senate gave its approval on 19 September by an 83-9 margin and the bill was signed by President Reagan nine days later.



#### 14. Canadian Implementation of the FTA

The FTA was implemented in Canada by Bill C-2, which received Royal Assent on 30 December 1988, and by regulations made on the same day by the Governor in Council. Under the FTA, tariffs on some goods were eliminated immediately the Agreement came into force on 1 January 1989; tariffs on others were removed in five equal annual stages starting 1 January 1989; still other tariffs are being eliminated in 10 equal annual stages. Tariff cuts on certain specialty steel items did not begin until 1 October 1989, while phasing out of the duty on large telephone switching equipment involved three annual steps ending 1 January 1991.

Certain regulations made on 30 December 1988 specified that the FTA tariff concessions respecting certain U.S. plywood and related products would be suspended. The impact analysis statement accompanying this last regulation states that the delay in eliminating tariffs on these products was in response to similar U.S. actions on these products.

**Canada and the U.S. reached agreement on performance standards for plywood and other panel boards in December 1992; tariff reductions commenced on 1 January 1993. On that date, U.S. duties on plywood imports were lowered from 20% to 10% and Canadian duties were reduced from 15% to 7.5%. The remaining tariffs will be phased out by 1 January 1998.**

Phase-out of the Canadian embargo on used motor vehicles imported from the U.S. began on 1 January 1989; as of 1 January 1993, there were no restrictions on imports of used motor vehicles from the U.S. Since 1 January 1989, there has been no embargo on used aircraft imported from the U.S. Twenty-five percent of the difference in provincial markups on imported U.S. wine was due to be eliminated on 1 January 1989, with the remaining difference to be phased out by 1 January 1995. At 1 January 1993, 80% of the price differential was eliminated. Discriminatory markups on distilled spirits were to be completely eliminated on the FTA implementation date.

As of 1 January 1992, only direct takeovers by U.S. investors of Canadian companies worth more than \$150 million (\$5 million for other foreign investors) were subject to review by Investment Canada. (This review threshold will be adjusted annually for inflation.)

The review threshold for indirect takeovers has now been withdrawn completely. Temporary entry for business persons was improved at the time of implementation of the Agreement.

## PARLIAMENTARY ACTION

The implementing legislation for the Canada-U.S. Free Trade Agreement, was tabled in the House of Commons and received first reading on 24 May 1988.

On 6 July 1988, Bill C-130 was read a second time and referred to a legislative committee. Later that month, Opposition Leader John Turner announced that he had requested the Liberal-dominated Senate to delay passage of Bill C-130 until a federal election could be held on the issue. Liberal leader in the Senate, the Honourable Allan MacEachen, indicated that the Senate Liberal majority would comply with this request.

The legislative committee on Bill C-130 reported to the House of Commons on 10 August 1988 with two substantive amendments and a number of relatively minor technical changes. The two substantive amendments were: clause 7 was added to clarify that "natural surface and ground water" was not included in the Act or the Agreement; clause 8, which would have given precedence to the Act to Implement the Free Trade Agreement over other legislation to the extent of any conflict or inconsistency, was deleted.

Bill C-130 received third reading and was passed by the House of Commons on 31 August 1988. It was given first reading in the Senate on 1 September and second reading on 15 September, at which time it was referred to the Standing Senate Committee on Foreign Affairs.

On 1 October 1988, Parliament was dissolved when the government called an election for November 21. Debate during the election centred on the implication of the Free Trade Agreement for Canadian social programs such as medicare and unemployment insurance, for regional development programs and for the ultimate political independence of Canada from the United States. At issue was whether the free trade agreement was basically a mutually beneficial commercial accord or whether it represented a fundamental change in the character of Canada.



On 21 November 1988, the Canadian public re-elected the Progressive Conservative Party with a 168-seat majority. Prime Minister Mulroney recalled Parliament for the week of 12 December in order to reintroduce the free trade legislation and have it passed by the 1 January 1989 implementation date.

Bill C-2, An Act to implement the Free Trade Agreement between Canada and the United States of America, was introduced and read for the first time on 14 December 1988. The bill was considered in Committee of the Whole and reported to the House without amendment. It was passed by the House of Commons at 1:30 a.m. 24 December 1988, although closure was invoked at each stage of the debate in order to meet the government's legislative timetable. On 27 December 1988, the Senate of Canada gave first and second readings to the legislation and referred it to the Standing Senate Committee on Foreign Affairs. The Committee reported the bill without amendment but with some comments and recommendations. The areas of concern highlighted in the report included: adjustment assistance; agriculture; energy; temporary entry provisions; and the area of countervail and anti-dumping. The bill received Royal Assent on 30 December 1988. On the same day, regulations were made by the Governor in Council implementing other aspects of the FTA.

## CHRONOLOGY

- 24 March 1982 - The Standing Senate Committee on Foreign Affairs released the third volume of its report on Canada-U.S. relations. Entitled *Canada's Trade Relations with the United States*, its major recommendation was that Canada should begin negotiations to ensure bilateral free trade between Canada and the U.S. in all sectors.
- 2-13 December 1983 - Canadian and U.S. trade officials met in Washington to begin exploratory talks on sectoral free trade negotiations.
- 30 October 1984 - *U.S. Trade and Tariff Act* of 1984 was signed into law. It allowed the Administration the authority to negotiate a bilateral Free Trade Agreement with Canada.
- 18 March 1985 - Prime Minister Mulroney and President Reagan met in Quebec City and issued a "Declaration on Trade" which sought to resolve

existing trading irritants and explore possibilities for increased trade between the two countries.

- August 1985 - The Special Joint Committee on International Relations released the *Interim Report Pertaining to Bilateral Trade with the United States and Canada's Participation in Research on the Strategic Defense Initiative*. The Committee recommended that immediate bilateral trade discussions with the U.S. should begin, while at the same time, Canada should also pursue new multilateral negotiations.
- 5 September 1985 - The Royal Commission on the Economic Union and Development Prospects for Canada (the Macdonald Commission) recommended freer trade with the U.S.
- 26 September 1985 - Prime Minister Mulroney announced that he had told President Reagan that Canada wanted to negotiate "the broadest possible package of mutually beneficial reductions in tariff and non-tariff barriers between our two countries."
- 8 November 1985 - Simon Reisman was appointed Canadian Ambassador and Chairman for the Preparatory Committee for Trade Negotiations.
- 10 December 1985 - President Reagan notified Congress of the intent to seek free trade with Canada under "fast-track" authority. Congress had 60 days to respond.
- 23 April 1986 - The Senate Finance Committee returned a split vote (10-10) on the Administration's negotiating authority. This allowed the exploratory talks to begin but was not an auspicious launch.
- 21-22 May 1986 - Canadian negotiators led by Simon Reisman and U.S. negotiators led by Peter Murphy began preliminary trade negotiations.
- 20 September 1986 - The GATT ministers, meeting in Punta del Este, Uruguay, agreed to an agenda for the GATT negotiations
- 3 October 1987 - A Free Trade Agreement was reached in Washington.
- 10 December 1987 - The text of the Free Trade Agreement was initialled.
- 11 December 1987 - The Free Trade Agreement was tabled in the House of Commons.



- 2 January 1988 - Prime Minister Mulroney and President Reagan signed the Canada-U.S. Free Trade Agreement.
- 31 March 1988 - The Honourable John Crosbie became Minister for International Trade.
- 18 May 1988 - A notice of a Ways and Means motion to implement parts of the FTA was introduced in the House of Commons.
- 24 May 1988 - Bill C-130, which would implement the FTA, received first reading in the House of Commons.
- 6 July 1988 - Bill C-130 received second reading in the House of Commons and was referred to a Legislative Committee.
- 9 August 1988 - The U.S. Legislation implementing the FTA passed the House of Representatives by a 366-40 vote.
- 10 August 1988 - The Legislative Committee on Bill C-130 reported the bill to the House of Commons with amendments.
- 23 August 1988 - An amended omnibus trade bill was signed into law by President Reagan.
- 31 August 1988 - Bill C-130 received third reading in the House of Commons and was passed.
- 15 September 1988 - Bill C-130 received second reading in the Senate and was referred to the Standing Senate Committee on Foreign affairs.
- 19 September 1988 - By an 83-9 margin, the U.S. Senate approved the legislation implementing the Canada-U.S. FTA.
- 28 September 1988 - President Reagan signed the bill implementing the Canada-U.S. FTA.
- 1 October 1988 - Prime Minister Mulroney called an election.
- 21 November 1988 - The Progressive Conservative Party won a 168-seat majority in the House of Commons.
- 14 December 1988 - Bill C-2, An Act to implement the Free Trade Agreement between Canada and the United States of America, was introduced.

- 24 December 1988 - Bill C-2 was passed in the House of Commons.
- 30 December 1988 - Bill C-2 received Royal Assent.
- The Cabinet made a number of regulations to implement certain provisions of the FTA.
  - The Canadian government announced the appointment of a roster of persons to serve on the FTA's binational dispute settlement panel in anti-dumping and countervailing duty cases.
- 1 January 1989 - The Canada-U.S. FTA was implemented.
- 29 March 1989 - The Advisory Council on Adjustment released its report on labour adjustment to free trade.
- 30 November 1989 - Canada and the U.S. announced agreement on accelerated reduction of tariffs under the FTA.
- 1 April 1990 - The first round of accelerated tariff cuts went into effect.
- 3 August 1990 - The Canada-U.S. auto panel recommended that the FTA's North American content requirement be raised from 50% to 60%.
- 8 August 1990 - The U.S. and Mexico agreed to begin negotiations leading to a free trade agreement.
- 24 September 1990 - Minister for International Trade, the Honourable John Crosbie, announced that Canada would join the U.S.-Mexico free trade negotiations.
- 3 October 1990 - Representatives from Canada and the U.S. announced that the two countries intended to negotiate an "open skies" agreement for air travel.
- 5 February 1991 - Canada, the United States and Mexico announced that the three countries would begin trilateral free trade talks in the spring.
- 20 March 1991 - Canada and the United States announced agreement on a second round of accelerated tariff elimination covering about \$2 billion worth of two-way trade.
- 12 June 1991 - Negotiations on North American free trade began between Canada, the United States and Mexico.



- 1 July 1991 - The second round of FTA accelerated tariff cuts went into effect on more than 400 products.
- 12 August 1992 - Canada, the United States and Mexico released a description of the proposed North American Free Trade Agreement (NAFTA).
- 17 December 1992 - Prime Minister Mulroney, President Bush and President Salinas each formally signed the NAFTA.
- 25 February 1993 - The Minister of International Trade introduced Bill C-115, the North American Free Trade Agreement Implementation Act, in the House of Commons.















